

IN THE CLAIMS:

Please cancel original Claims 2-40 without prejudice to or disclaimer of the subject matter recited therein.

1. (Original) A securitization method, comprising the steps of:

(a) selecting a portfolio of loans of one or more institutions, each loan having a corresponding borrower and involving at least one obligation of the corresponding borrower to make a payment to the lending institution, wherein the portfolio of loans includes at least 30% distressed commercial loans and wherein the loans are selected so that the portfolio meets predetermined criteria of one or more selected credit rating agencies;

(b) establishing a bankruptcy remote special purpose entity ("SPE") as an investment vehicle;

(c) designing a capital structure for the SPE configured so that all of the securities above the equity or equity-like tranches issued by the SPE upon closing of the transaction are eligible to receive investment grade credit ratings from said one or more selected credit rating agencies; and

(d) arranging for the conveyance of the portfolio that includes the distressed commercial loans to the SPE so that a synthetic asset pool including the distressed commercial loans is created in the SPE backing its securities, the synthetic asset pool emulating the cash flow and recovery characteristics of a portfolio of performing credit facilities.